

## CHAPTER 13 -- PROJECT CLOSEOUT

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## CHAPTER 13

### PROJECT CLOSEOUT

#### I. OVERVIEW

This chapter describes the three steps required to closeout a CDBG project funded through the State CDBG Program:

- A. Completing a **Project Completion Report**.
- B. Determining and meeting the **Project Audit Requirements**.
- C. Completing the **Closeout Forms and Certifications**.

"Project Closeout" is the process by which MDOC determines that all applicable administrative actions and all work required by the grant have been completed in accordance with the terms and conditions of the CDBG contract.

All of the information needed to complete the closeout requirements should exist within the project files. The ease with which grant recipients can complete the closeout requirements usually depends on the extent to which the grantee has maintained accurate and up-to-date records and files.

#### II. GRANTEE CLOSEOUT RESPONSIBILITIES

##### 1. PREPARE A PROJECT COMPLETION REPORT

###### A. Projects Other Than Planning Grants

**Within 60 days following the completion of the CDBG-funded project activities and after all funds except for the final closeout audit are expended**, grant recipients must submit a Project Completion Report to their CDBG Program Specialist.

The instructions for completing the report are provided in **Exhibit 13-A**.

**The Project Completion Report should consist of a narrative with charts and tables (where possible) to summarize information and it must provide all of the information required in Exhibits 13-A through 13-G, including:**

- progress on each funded activity described in the grant contract;

- the extent to which the completed activity served to accomplish the state and national program objectives cited in the application;
- the extent to which program benefits were provided to low and moderate income persons and members of protected groups;
- local efforts to encourage fair housing, equal employment, and/or business opportunities (Section 3 compliance) through the expenditure of CDBG dollars;
- compliance with Davis-Bacon labor provisions; and
- any other evidence of program performance, including letters from assisted recipients or other citizen comments.

MDOC's CDBG staff will review the Project Completion Report and respond within 90 days.

MDOC may conduct a final on-site monitoring visit prior to project closeout. This visit may be waived if the project had been previously monitored and found to be in substantial compliance.

## **B. CDBG-ED Planning Grants**

**Within 60 days following the completion of the CDBG-ED funded planning grant-related activity and after all funds are expended**, grant recipients must submit **one** copy of the CDBG-ED funded activity (as outlined in the MDOC contract) and a narrative which includes descriptions of the following: **how planning grant activity was completed, how funds were spent and how planning grant objectives were met.**

## **C. CDBG Public Facilities and Housing Planning Grants**

**Within 60 days following the completion of the CDBG funded planning grant-related activity**, grant recipients must submit the final request for reimbursement. One copy of the final CDBG funded product (as outlined in the MDOC contract) must be submitted with the draw accompanied by appropriate documentation, including invoices.

## **2. DETERMINE FINAL AUDIT REQUIREMENTS**

When the project reaches the closeout stage, the grantee must determine which audit option for the project -- either an organization-wide audit or separate audit -- applies to their project. This is done by compiling data on the total amounts and types of federal financial assistance funds received by the governmental entity during the term of the CDBG project). **For a detailed explanation of audit thresholds and requirements, allowing you to**

determine which type of audit you must complete, please see Chapter 14, **Project Audits.**

### **3. COMPLETE CLOSEOUT FORMS AND CERTIFICATIONS**

#### **A. Procedure for Projects Required to Have Organization-Wide Audits**

Those CDBG projects which find that they must comply with the Single Audit Act and the provisions contained in OMB Circular A-133 (and conduct an organization-wide audit) must:

- 1) request conditional closeout approval from MDOC;
- 2) submit **Exhibit 13-C.1A** (Certification of Completion and Final Status of Funds Report for CDBG funds) **and Exhibit 13-C.1B** (Certification of Completion and Final Status of Funds Report for all other project funding); and
- 3) provide MDOC the date of the next organization-wide audit.

**All audits must comply with the audit requirements referenced above in 2 (Determine Final Audit Requirements) and explained in Chapter 14, Project Audits.**

A reasonable amount of the unexpended CDBG funds will be reserved by MDOC from the balance remaining after all activities are completed in order to pay the percentage of the total audit cost of the next organization-wide audit that is applicable to the CDBG project.

**After the required project is audited, Exhibit 13-C must be resubmitted** (with a corrective action plan in response to the audit, if applicable).

MDOC will review this certification report and **will approve a final closeout if all documents are acceptable and all adverse findings in the audit report are resolved.** The grantee must provide information necessary to determine the cost of the audit that was conducted.

If final closeout has been approved, MDOC will release funds equal to the audit cost to the grantee. Any remaining CDBG funds will be retained by MDOC. If insufficient funds exist to cover the final audit cost, the grantee must pay the difference.

If the computation of the grant balance indicates that drawdowns exceeded actual program expenditures, MDOC will require the grantee to reimburse the State the excess amount.

For any unsettled third party claims against CDBG funds, the grantee must resolve the claims and submit a revised 13-C certification report.

**B. Procedures for Projects Required to Have Separate Project Audits**

Grantees which are found to be **exempt** from the Single Audit Act and from the provisions contained in OMB Circular A-133 (by means of a review by the grantee of the total amounts and types of federal financial assistance funds received by the governmental entity during the term of the CDBG project) can arrange for a separate audit through the MDOC Local Government Services Bureau.

**All audits must comply with the audit requirements referenced above in 2 (Determine Final Audit Requirements) and explained in Chapter 14, Project Audits.**

After the required separate project audit is completed, the grantee can submit the Certification of Completion and Final Status of Funds Report (**Exhibit 13-C**) and can include the audit cost in the total funds expended. This report must be submitted with original signatures to the project's CDBG Program Specialist for approval. After review and approval, the MDOC will then release remaining funds equal to the audit cost to the grantee. Any remaining balance will be retained by MDOC. If insufficient funds exist to cover the final audit cost, the grantee must pay the difference.

If the computation of the grant balance indicates that the project's drawdowns exceeded actual program expenditures, the MDOC CDBG program officer will require the grantee to reimburse the State the excess amount.

For any unsettled third party claims against CDBG funds, the grantee must resolve the claims and submit a revised certificate.

**3. Program Income**

The **CDBG Program Income and Revolving Loan Fund Manual** (Montana Department of Commerce, January, 1996) outlines the standards for accounting for program income related to projects financed in whole or in part with federal grant funds.

"*Program income*" is defined as any income earned by a grantee from CDBG-supported activities, such as repayments of principal and interest to a local revolving loan program for housing rehabilitation.

These program income funds are often received after a project has been completed and closed out and may be retained at the local level (if authorized by the MDOC), to be used for community development activities eligible under the CDBG program.

A grantee proposing to retain program income must submit with its application (or with its project management plan), a proposed plan for the ongoing use and financial administration of program income. The Department's decision to permit a grantee to retain program income after closeout will be determined based upon the final plan for the use and administration of program income submitted at project closeout.

If the Department of Commerce authorizes a grantee to retain program income, any program income received after project completion may be treated by the grantee as miscellaneous non-CDBG revenue. *There is one exception to this rule:* In the event that a community is a recipient of CDBG funds at a later date, HUD regulations require that program income from an earlier CDBG project be expended on activities under the new CDBG project before the community can request funds from its new grant.

Because the MDOC has ultimate responsibility for the program income retained and used at the local level, it is required to ensure that such program income is used in a manner consistent with CDBG requirements. To meet this responsibility, **the MDOC has instituted a grantee reporting process concerning program income, as follows:**

**MDOC requires that each local government which is a CDBG grantee report the total program income fund's activity for the fiscal year July 1 to June 30.**

**This applies to projects funded with 1993 and later CDBG program funds that have been closed out and/or are receiving loan repayments on a project that is not open. The report is due on August 15 of each year.**

**HUD requires that states continue to report a local government's program income balance after a project has been closed out.**

**For local government grantees that have economic development CDBG projects, an additional report, the Loan Portfolio Data sheet, must be filed twice a year as of June 30 and December 31 with the Economic Development Division.** This applies to any project, whenever it may have been funded, that continues to make loan repayments to the local government over the term of the loan.

Communities planning to utilize program income for future CDBG eligible activities must prepare and adopt a **Program Income Plan** and maintain the following records:

- sources of program income, including interest earned;

- dates and amounts of program income deposits and disbursements; and
- the activities funded with program income.

These records must be available for review in the event that the community is selected as a recipient of CDBG funds at a later date.

Chapter 4 of this manual, *Financial Management*, contains additional information concerning program income and property management. The Montana CDBG Application Guidelines also include a discussion of CDBG program income requirements.

Upon project closeout, using the particular project's name, a separate Special Revenue Fund should be established for loan repayments, #2390 BARS System and #229 Town. A separate fund is established so that at project completion the CDBG fund can be closed, but the loan repayment fund will continue until all loans are repaid.

#### **4. Closeout Exhibits**

To get the "**area-wide**" / "**indirect**" **benefits data** from the Census for **Exhibit 13-F**, consult either (1) the Census document called Demographic Profiles or (2) the document called Detailed Profiles:

1) **Demographic Profiles**: There are 4 pages for each geographic area, labeled DP-1 thru DP-4. They can be found at:

<http://ceic.mt.gov/Demographics.asp>

Page **DP-2** has disabilities data from the Census for:

- **Counties and MSAs**
- **Places** (Cities, Towns and CDPs)
- **Reservations**

2) **Detailed Profiles**: These **Detailed Profiles** have a lot more information than the 4-page Demographic Profiles. The MDOC CEIC website has both 34-page and 58-page Detailed Profiles -- for the State, for Counties, for Places, for Reservations and for Census Tracts in PDF format at:

<http://ceic.mt.gov/Demographics.asp>

Disability information is on pages 19-24 of the 58-page profiles.

- **Counties and MSAs**
- **Places** (Cities, Towns and CDPs)
- **Reservations**; and
- **Census Tract**.

## **CHAPTER 13**

### **EXHIBITS**

- 13-A Project Completion Report Instructions**
- 13-B Final Performance Report**
- 13-C Certification of Completion and Final Status of Funds Report; Conditional Closeout Certification; Final Closeout Certification**
- 13-D Direct Benefit Summary Data**
- 13-E Contract Reporting Form**
- 13-F Indirect Benefits Reporting Form**
- 13-G Calculation of CDBG Funds Used to Benefit Low and Moderate Income (LMI) Households and Citation of National Objectives**